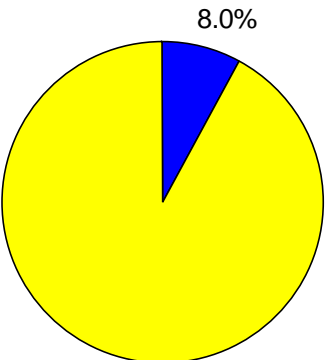


Retirement Administration Agency

600-02-Fund 600, 601, 602 Retirement Plan Investment and Financial Management

Fund/Agency: 600/58 Retirement Administration Agency		<p style="text-align: center;">CAPS Percentage of Agency Total</p>  <p style="text-align: center;">8.0%</p> <p style="text-align: center;">92.0%</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>■ Fund 600, 601, 602 Retirement Plan Investment and Financial Management</p> <p>■ All Other Agency CAPS</p> </div>
Personnel Services	\$440,742	
Operating Expenses	\$10,516,115	
Recovered Costs	\$0	
Capital Equipment	\$0	
Total CAPS Cost:	\$10,956,857	
Federal Revenue	\$0	
State Revenue	\$0	
User Fee Revenue	\$0	
Other Revenue	\$10,956,857	
Total Revenue:	\$10,956,857	
Net CAPS Cost:	\$0	
Positions/SYE involved in the delivery of this CAPS	5/4.5	

► CAPS Summary

This item includes the provision of advice and support to the three Boards of Trustees in investment matters; oversight of and coordination with the Systems' custodial bank; accounting for the fund assets, income and disbursements; preparation of financial statements; and coordination with external investment consultants.

Retirement Administration Agency

Investment advice and support includes:

- Development of investment strategy, policy and guidelines;
- Asset allocation advice;
- Identification and selection of external investment managers;
- Oversight, compliance and due diligence reviews of investment managers and portfolios;
- Investment performance monitoring and reporting;
- Risk management;
- Monitoring capital market trends; and
- Asset allocation re-balancing.

► Method of Service Provision

Services are provided by Agency staff at 10680 Main Street, Fairfax. Normal office hours are 8:00 a.m. to 4:30 p.m., Monday through Friday.

The Police Officers and Uniformed Boards of Trustees employ outside investment consulting firms. For these two Systems, Agency staff works with the consulting firms in providing advice to the Boards on investment strategy and implementation. For the Employees' System, all investment consulting services are provided internally by professional Agency staff.

With the exception of the funds' balances in the County's pooled cash account, all investment portfolios are managed by outside investment management firms. Staff monitors the activities of the investment managers; staff and external consultants assist with the identification of managers to be hired (or fired) and with the reporting and analysis of performance. All securities are held for the Systems by external custodians.

Each System has adopted a formal investment policy statement. The investments of the Systems are well diversified both by asset class and number of securities. Asset allocation strategies reflect each Board's desired balance of return and risk. Disciplined re-balancing processes have been adopted by each Board as a means of maintaining the desired exposure to each segment of the capital markets. Trustees and staff closely monitor the performance of the individual portfolios to ensure that established investment guidelines are followed and that the manager is producing the expected returns over market cycles. The strategic asset allocation targets adopted by each of the Boards are as follow:

Asset Class	Employees'	Police Officers	Uniformed
Domestic Equities	42.1%	45%	45%
Non-US Equities	11.9%	10%	15%
Fixed Income	36.0%	35%	40%
Real Estate/REITs	10.0%	10%	5%

Retirement Administration Agency

The investment managers employed by the Systems as of June 30, 2001 are as follow:

Employees' Retirement System

Domestic Equities:

Large Cap Growth	(Index)	Barclays Global Investors
Large Cap Value	(Index)	Barclays Global Investors
	(Active)	Robert E. Torray & Co., Inc.
Large Cap Core	(Enhanced)	JP Morgan Fleming Asset Management
		DSI International Management, Inc.
Small Cap		Thomson Horstmann & Bryant, Inc.
		Liberty Acorn Fund

Non-US Equities:

Developed Markets	Lazard Asset Management
Emerging Markets	Schroder Capital Management International

Fixed Income

JP Morgan Fleming Asset Management
Payden & Rygel Investment Counsel
Cohen & Steers Capital Management
The Clifton Group

REITs

Policy Implementation Overlay

Police Officers Retirement System

Domestic Equities:

Large Cap Growth	(Active)	JANUS Capital; Corporation
	(Active)	Oak Associates, Ltd.
	(Enhanced)	PIMCO
Large Cap Value		Robert E. Torray & Co., Inc.
Small Cap		ING Furman Selz Capital Management, LLC
Non-US Equities		Capital Guardian Trust Company
Fixed Income		Credit Suisse Asset Management
		Dodge & Cox, Inc.
REITs		Cohen & Steers Capital Management

Uniformed Retirement System

Domestic Equities:

Large Cap	(Enhanced)	Barclays Global Investors
	(Index)	State Street Global Advisors
Small Cap	(Active Value)	J.L. Kaplan Associates, LLC
	(Index Growth)	State Street Global Advisors
Private Equity		JP Morgan Fleming Asset Management
		The Pantheon Group

Non-US Equities:

Developed	Lazard Asset Management
	Marathon

Emerging Markets Schroder Capital Management International

Fixed Income

Credit Suisse Asset Management
Payden & Rygel Investment Counsel

Real Estate

To be determined

Retirement Administration Agency

Over the past few years, staff has worked with each Board of Trustees in a detailed review of the entire investment strategy and implementation with a focus on maintaining an investment structure and complement of investment managers and styles that optimizes risk-adjusted returns. This review has resulted in several changes in investment management firms, a shift to more passive or enhanced index approaches in large capitalization US equity investments, and increased focus on obtaining value added returns from our active managers. We have also adopted more structured, disciplined approaches to keeping overall asset allocation within established target ranges with the expected long term benefit of profiting from the cyclicity of the investment markets.

The latter part of the 1990's provided markets that enabled the systems to significantly exceed the long-term return assumptions. Looking forward, we do not expect the equity markets to revert to the very high returns of most of the last decade. While we are still very confident that the long-term assumption of an average net return of 7.5 percent is attainable, in the near term that may be a challenge as equity returns are likely to stabilize well below the highs of the longest bull market in history.

► Performance/Workload Related Data

Title	FY 1998 Actual	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimate
Return Compared to Assumed Actuarial Rate (7.5%)					
Employees'	17.2%	8.6%	5.9%	-0.2%	N/A
Police Officers	17.2%	8.1%	7.8%	-2.7%	N/A
Uniformed	16.2%	9.6%	5.2%	-2.6%	N/A
3-Year Average Return Compared to Assumed Actuarial Rate (7.5%)					
Employees'	18.2%	15.6%	10.8%	4.9%	N/A
Police Officers	18.9%	16.0%	11.5%	4.6%	N/A
Uniformed	16.7%	14.8%	10.7%	4.2%	N/A
5-Year Return Compared to Assumed Actuarial Rate (7.5%)					
Employees'	14.6%	15.3%	13.8%	10.4%	N/A
Police Officers	14.6%	16.0%	14.6%	10.5%	N/A
Uniformed	13.2%	15.0%	13.0%	9.2%	N/A

Retirement Administration Agency

Title	FY 1998 Actual	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimate
Large Cap Domestic Equity Returns compared to S&P 500 Index					
S&P 500 Index	30.2%	22.7%	7.2%	-14.8%	N/A
Employees'	30.3%	20.8%	3.3%	-14.1%	N/A
Police Officers	29.2%	17.9%	1.6%	-18.2%	N/A
Uniformed	26.4%	20.0%	2.8%	-13.3%	N/A
Fixed Income Return Compared to the Lehman Aggregate Bond Index:					
Lehman Index	10.5%	3.1%	4.6%	11.2%	N/A
Employees'	10.7%	2.9%	4.3%	11.2%	N/A
Police Officers	11.2%	3.6%	3.9%	12.8%	N/A
Uniformed	11.1%	3.9%	4.8%	10.1%	N/A

► Mandate Information

This CAPS is Federally or State mandated. The percentage of this CAPS' resources utilized to satisfy the mandate is 51 - 75%. The specific Federal or State code and a brief description of the code follows:

- Code of Virginia Section 51.1-800 By establishing and maintaining a local retirement system which provides a service retirement allowance to each employee who retires at age sixty-five or older which equals or exceeds two-thirds of the service retirement allowance to which the employee would have been entitled had the allowance been computed under the provisions of the Virginia Retirement System.51.1-800.